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SUBJECT: FRENCH UNEMPLOYMENT: THE NEVERENDING STORY

¶1. Summary: The drop in the French unemployment rate to 9.1 percent could be due to GOF policies, as the GOF claims. It also might be due to an aging workforce beating an early retreat to retirement. And it might be due to statistical corrections. But the fact remains that the youth unemployment rate exceeds 20 percent and the long-term unemployment rate is 30 percent. Job creation in the private sector has been moderate, and many workers are turning to part-time work or multiple jobs, feeding a sense of insecurity despite other signs of economic stability. End summary.

Unemployment Rate Falls to 9.1 percent in April

¶2. The French unemployment rate (seasonally adjusted - ILO definition) dropped to 9.3 percent in May, its lowest level since September 2002. The number of unemployed (seasonally adjusted) fell to 2.499 million from 2.544 million in April. The government boasted that over the course of one year there were "258,000 fewer unemployed, and the unemployment rate decreased from 10.1 percent in May 2005."

Who Benefits the Most: Youth?

¶3. The total unemployment rate (seasonally adjusted) dropped 1.8 percent in May compared to April, and 9.4 percent compared with figures from the previous year. The sharpest decrease came in the under-25 age category, where unemployment fell by 12.6 percent in May compared with May 2005, but remained high at 21.9 percent. Other age categories experienced less dramatic declines: unemployment fell to 8.3 percent for those aged 25 to 49, while that figure dropped to 6.3 percent for the 50 and over group. The ranks of those affected by long-term unemployment (job seekers looking for a job for more than a year), swelled to 707,000. That accounts for a large chunk, 31.9 percent or nearly a third of total unemployment.

The Role of Demographics and Statistical Correction in the Decrease in Unemployment

¶4. The Labor Ministry's most recent data, covering the three months ending in May 2006, shows a 6.6 percent decrease in the number of new registrations to the National Agency for Employment (ANPE) compared to the three months prior. Analysis suggests that this drop-off in new registrations resulted from fewer people being laid off or coming to the end of limited employment contracts, which appears consistent with the current improvement in the business climate. Interestingly, the number of first-time registrations to the ANPE decreased 9.1 percent in the three months ending in May compared to the three previous months, probably the result of a

sizeable demographic effect. A smaller number of unemployed were removed from the ANPE's list in recent months. A closer inspection, however, reveals that removal of people from the unemployment rolls increased 5.1 percent on year-over-year basis. Removals for auditing control and administrative removals are sizeable, accounting for 58.9 percent of cases in May. Removals due to recruitment of labor and the issuance of training contracts accounted for 26.5 percent and 5.9 percent, respectively. Removals related to health, maternity and retirement accounted for 8.7 percent. Unemployment statistics also exclude the unemployed aged between 57.5 (or in certain cases as young as 54) and 64. They receive unemployment benefits, but are not registered at ANPE as job seekers. Based on a recent Labor Minister survey, they numbered 400,000 in 2004.

Economists Emphasize Demographic Factors

¶15. Private-sector economists emphasized that the country's aging population has been responsible for part of the recent decrease in the unemployment rate. "Baby-boomers," they argued, have begun retiring en masse, effectively shrinking the active labor force and, along with it, unemployment. Because they started to work at extremely young ages, many 60-year-old workers and would-be jobseekers are in fact eligible for retirement in 2006.

Opposition and Unions Stress Statistical Correction, Point to Increased Poverty

¶16. Some unions and opposition leaders have argued that the decrease in unemployment numbers results from a "correction of data, notably through the elimination of job seekers from the ANPE list due to stricter regulations to attain unemployment status." Labor Minister Borloo argued in response that there was a decrease in administrative removals in April and May, but he failed to mention the year-over-year increases. Unions also emphasized low job creation, and an increase in poverty related to long-term unemployment. The long-term unemployed still numbered 707,000 despite a decrease in May. Those suffering from long-term unemployment are among beneficiaries of a minimum income ("Revenu Minimum d'Insertion - RMI") reserved for the poorest in French society.

Unemployment Decreases, but Job Creation Remains Low

¶17. Although the total number of unemployed decreased by 210,000 between Q-1 2005 and Q-1 2006, the numbers suggest that this is only marginally attributable to the creation of new jobs. "Employment of wage-earners in the non-farm private sector in companies with more than 10 employees," the regular quarterly indicator for job creation, increased a dismal 0.1 percent (15,300) compared with Q-4 2005 and 0.4 percent (63,000) observed when compared with Q-1 2005. The industrial sector continued to shed jobs, while the construction and service sectors were able to create more. Statistical and demographic explanations aside, the apparent discrepancy between the drop in unemployment and weak job creation numbers suggests that hiring was concentrated either in the public sector or in companies with less than 10 employees, neither of which are covered by quarterly statistics but could have potentially benefited government measures. Government labor policy and its effects will be examined in a separate cable.

Labor Trends in 2005

¶18. INSEE's (the National Institute of Statistics and Economic Studies) March 2006 report on the previous year's trends ("2005 Employment Survey") showed that unemployment decreased 0.1 percent to 9.8 percent in 2005 compared with 2004. This improvement concerned primarily young women and women aged 50 and over. At the same time, long-term unemployment increased for a second consecutive year, also affecting mostly women -- 43.2 percent of women had been unemployed for more than a year in 2005, and 21.5 percent had been unemployed for more than two years. Employment did increase at a slightly higher pace in 2005 compared to the previous two years, but the employment rate decreased to 62.3 percent from the 62.4 percent registered in 2004 as the number of people between the ages of 15 and 64 entering the workforce increased faster than hiring. The service sector continued to create jobs, notably in education,

health, and social action (80,000) as well as in the administrative sector (60,000). Job creation was dynamic in the finance (60,000) and temporary labor sectors (60,000). Likewise, the real estate sector also created 30,000 jobs. The industrial and agriculture sectors, on the other hand, continued to lose jobs -- 60,000 and 40,000, respectively. Employment in agriculture dipped to below one million for the first time ever in 2004. Employment in other sectors remained unchanged. Women occupied most of the newly created jobs, which more often than not were part-time positions. Part-time work in general increased significantly in 2005, with 17.2 percent of the active population employed part-time compared with 16.6 percent in 2004, an increase concerning 167,000 workers. Under-employment continued to rise as 1,300,000 out of 4,285,000 employees would have preferred to work more hours, a 40,000 increase compared with 2004. Average work duration for full-time wage earners increased to 39 hours per week in 2005, while the official workweek remains 35 hours. The average work week was 40 hours in the services-to-individuals, transportation, finance and real estate sectors. For part-time wage earners, the average workweek remained unchanged, slightly higher than 23 hours.

¶9. According to the Employment Survey, over a million workers in France, mainly domestic female employees, had more than one employer in 2005. Indeed, 1,126,000 wage earners had multiple jobs, including 783,000 who performed the same job but for several employers, and 343,000 who had several different jobs altogether. The portion of the population working multiple jobs is sizeable, accounting for 4.8 percent of the labor force in 2005. The majority of these workers were women with low education aged 40 and over. They work as baby-sitters, nannies and in other domestic positions. In seven out of ten of these cases, the main job is part-time (excluding baby-sitting), but not necessarily by choice. Low wages and job insecurity are common with this sort of work. However, workers with several different jobs tend to be more highly educated than those who hold only one job, and very often they work part-time by choice.

Comment

¶10. Improvement in unemployment numbers was partially due to demographic and statistical corrections, which may not therefore have reflected true changes in the labor market. Moreover, the unemployment rate, especially among youth, remained high. Long-term unemployment as a percentage of total unemployment has been above 30 percent for years. On a more positive and encouraging note, the length of the workweek has increased consistently in the job-creating service sector. The participation of women in the workforce has continued to develop. The fact that more and more workers are taking on multiple jobs with lower wages suggests that the labor situation is deteriorating rather than improving. End comment.

STAPLETON